

立法會
Legislative Council

LC Paper No. LS54/04-05

**Paper for the House Committee Meeting
on 29 April 2005**

**Legal Service Division Report on
Revenue (Allowances for Tax) Bill 2005**

I. SUMMARY

- 1. Objects of the Bill** To implement the proposals relating to allowances under salaries tax and personal assessment announced by the Financial Secretary in his 2005-06 Budget Speech.
- 2. Comments**

 - (a) A new basic allowance and an additional allowance for dependent parents and grandparents aged between 55 and 59 are introduced.
 - (b) The child allowance will be increased from \$30,000 per child to \$40,000.
 - (c) The proposed allowances will apply with effect from the year of assessment 2005/06.
- 3. Public Consultation** The Financial Secretary has conducted consultations with LegCo Members, various chambers, groups and associations as well as the general public during the formulation of the 2005-06 Budget.
- 4. Consultation with LegCo Panel** The policy aspects of the Bill have not been referred to any LegCo Panel for discussion.
- 5. Conclusion** Members may decide whether to form a Bills Committee to deliberate on the policy aspects of the Bill.

II. REPORT

Objects of the Bill

To implement the proposals relating to allowances under salaries tax and personal assessment announced by the Financial Secretary in the 2005-06 Budget, the Bill amends the Inland Revenue Ordinance (Cap. 112) (“the Ordinance”) to –

- (a) introduce a new basic allowance and an additional allowance for dependent parents and grandparents aged between 55 and 59; and
- (b) increase the child allowance for taxpayers chargeable to tax under the Ordinance from \$30,000 per child to \$40,000.

LegCo Brief Reference

2. File Ref.: FIN CR 7/2201/04 issued by the Financial Services and the Treasury Bureau on 19 April 2005.

Date of First Reading

3. 27 April 2005.

Comments

4. At present, salaries taxpayers maintaining dependent parents and grandparents who are ordinarily resident in Hong Kong and aged 60 or above enjoy a tax allowance of \$30,000 for a year of assessment for each dependant parent or grandparent and an additional allowance of the same amount if the parent or grandparent is residing, otherwise than for full valuable consideration, with the taxpayer continuously throughout the year of assessment. Under the existing provisions of the Ordinance, a parent or grandparent is treated as being maintained by a taxpayer if the parent or grandparent resides, otherwise than for full valuable consideration, with the taxpayer for a continuous period of not less than 6 months in the relevant year of assessment, or if the taxpayer contributes not less than the prescribed amount in money (currently \$12,000) towards the maintenance of that parent or grandparent in the year of assessment. If the dependent parent or dependent grandparent is under the age of 60, the same tax allowances also apply provided that he or she is eligible to claim an allowance under the Government’s Disability Allowance Scheme at any time in the relevant year of assessment.

5. To provide further tax relief for taxpayers maintaining their parents or grandparents, the Financial Secretary announced in his Budget Speech on 16 March 2005 the introduction of two new allowances in respect of dependent parents and grandparents aged between 55 and 59 with effect from the year of assessment 2005/06. Eligible taxpayers will be granted a basic allowance of \$15,000 in a year of assessment for a dependent parent or grandparent, with an additional allowance of the same amount if the parent or grandparent concerned is residing, otherwise than for full valuable consideration, with the taxpayer continuously throughout the year of assessment (paragraph 68 of the Budget Speech).

6. Further, to alleviate the heavy burden of taxpayers in raising children, the child allowance is proposed to be increased from \$30,000 per child to \$40,000 (paragraph 69 of the Budget Speech).

7. This Bill is to amend the Ordinance to give effect to the above proposals.

8. Clauses 3 and 4 of the Bill respectively amend sections 30 and 30A of the Ordinance to introduce the proposed allowances for dependent parents and grandparents aged between 55 and 59 and provide for the eligibility criteria. A person is eligible for the proposed new allowances if the person or the spouse of that person maintains a parent/grandparent or a parent/grandparent of his or her spouse. Further, the parent or the grandparent concerned should be ordinarily resident in Hong Kong, have attained the age of 55 or more in the relevant year of assessment but have not yet attained the age of 60, and was, throughout that year, not eligible to claim an allowance under the Government's Disability Allowance Scheme.

9. Clause 5 of the Bill amends Schedule 4 to the Ordinance to add a table setting out all allowances that will apply with effect from the year of assessment 2005/06. The amount of the two new allowances and the new amount of child allowance are prescribed in the table.

10. Other provisions of the Bill make transitional provisions in respect of assessment of provisional salaries tax for 2005/06 following the enactment of the Bill.

11. If the Bill is enacted, the proposed allowances will apply in relation to the year of assessment commencing on 1 April 2005 and all subsequent years of assessment.

Public Consultation

12. According to the LegCo Brief, the Financial Secretary has conducted consultations with LegCo Members, various chambers, groups and associations as well as the general public during the formulation of the 2005-06 Budget.

Consultation with LegCo Panel

13. The policy aspects of the Bill have not been referred to any LegCo Panel for discussion.

Conclusion

14. The legal and drafting aspects of the Bill present no problem. Members may decide whether to form a Bills Committee to deliberate on the policy aspects of the Bill.

Prepared by

FUNG Sau-kuen, Connie
Assistant Legal Adviser
Legislative Council Secretariat
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